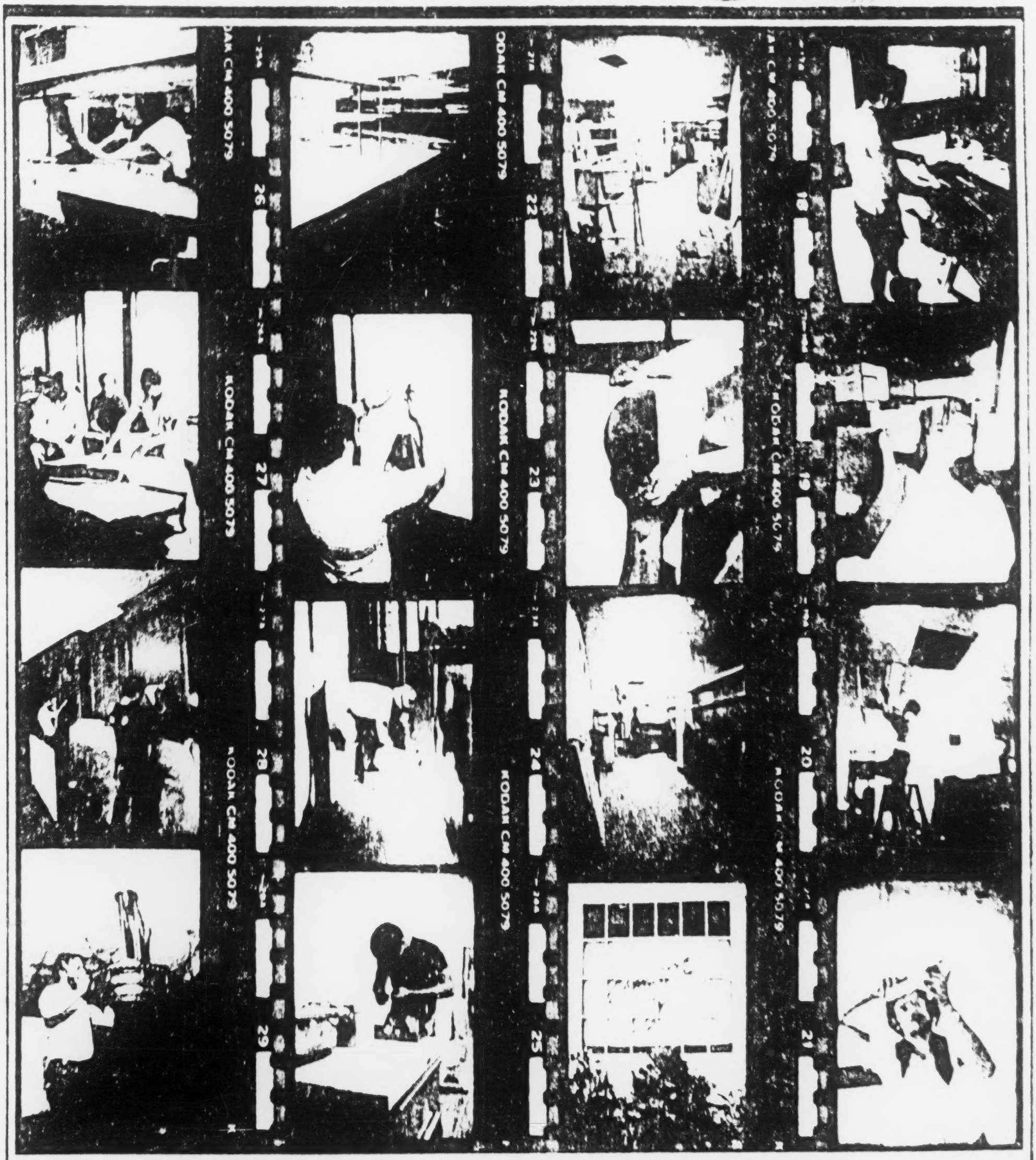
National Restaurant News

October 24, 1983/Section Two

RESTAURANT INTERIORS



Remodeling: An Industry Profile

RESTAURANT
INTERIORS

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Remodeling: An Industry Profile

Remodeling Study: An Industry Profile

Perhaps it's the worn carpet, the peeling paint, the torn banquette fabric that finally drew one negative comment too many. Or it's the whole look and feel that no longer seem to fit marketing intentions or that have fallen out of step with the trends of the times.

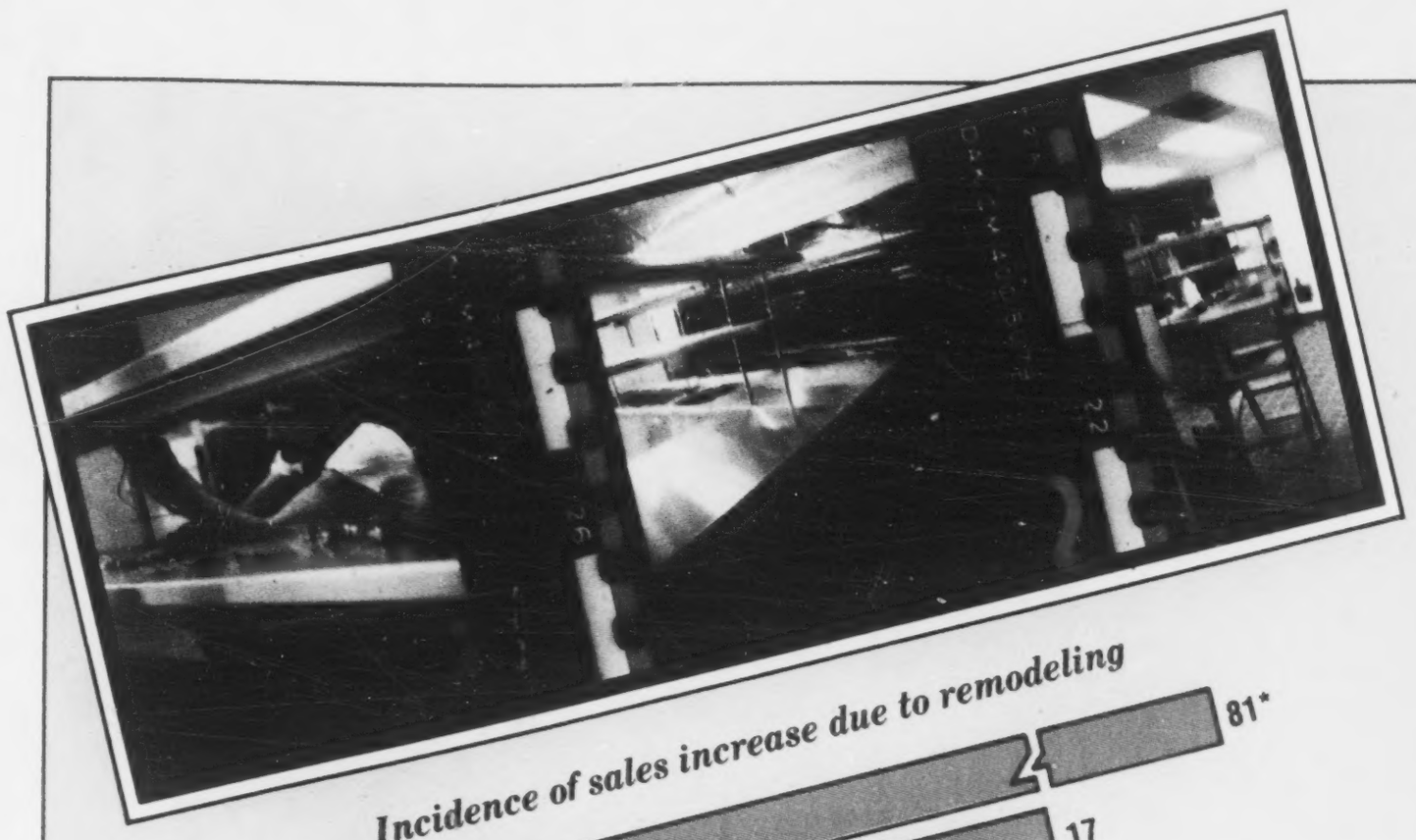
For whatever reason a restaurant decides to remodel—be it a complete renovation, a refurbishment or merely a facelift—one thing appears for certain: at a time when fashion governs decision-making at many restaurant enterprises, when competition in the industry is keener and the consumer more discriminating than ever, remodeling is much on an operator's mind.

In this issue's cover story, Restaurant Interiors reveals the results of a new Nation's Restaurant News *study on remodeling in the restaurant industry: the how and why of remodeling, the design trends, expectations and actual results. The industry profile emerged from a telephone survey of 90 different operations—ranging from independents to fast-food, coffee shop and dinnerhouse chains—which recently remodeled their interiors.*

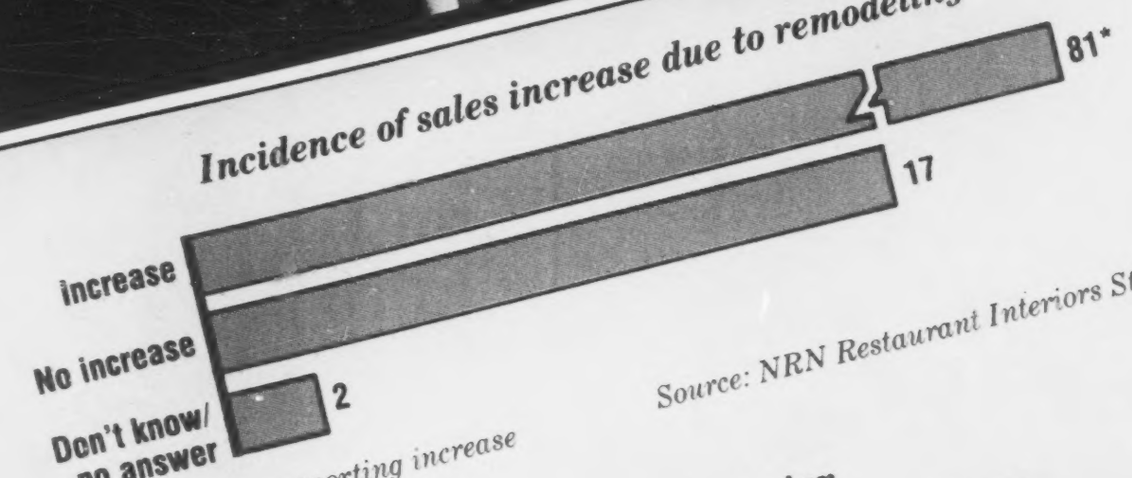
Deciding factors. What are the major factors influencing food service executives' decisions to remodel restaurant facilities?

Not surprisingly, the most frequent response is "need for change," for a "fresh appearance," and "general wear and tear." More than half of all respondents mentioned these factors. But fashion plays a major role as well: At least four out of 10 respondents said they remodeled because their restaurant's decor was "outdated."

Other reasons mentioned by at least one of every 10 respondents included more business volume, addition of latest food-service equipment, pressure from competing restaurants, a desire to attract new customers, concept change or image upgrading, a need to increase



Incidence of sales increase due to remodeling

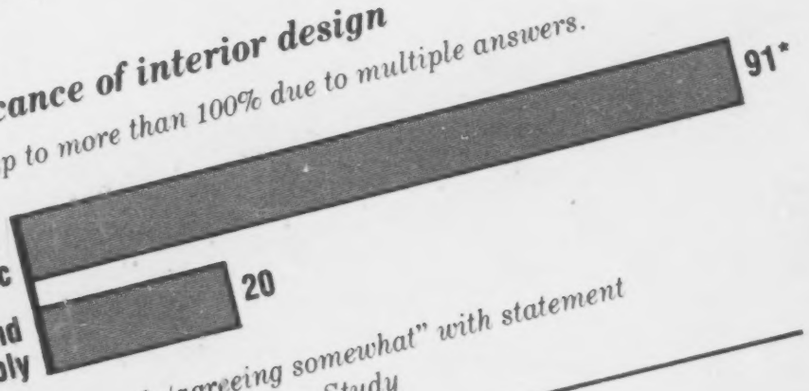


*Per cent of operators reporting increase

Source: NRN Restaurant Interiors Study

Significance of interior design

Note: Percentages add up to more than 100% due to multiple answers.


Distinctive decor enhances a restaurant's image and builds traffic
91*
Restaurant remodeling is expensive and does not increase business appreciably
20

*Per cent of operators "agreeing strongly/agreeing somewhat" with statement

Source: NRN Restaurant Interiors Study

seating capacity and improvement of customer service.

Needing change/fresh appearance, general wear and tear and "outdated" decor were also the two most frequent responses among each of the different restaurant types surveyed, including fast-food, family restaurant/coffee shop, dinnerhouse and independents. But significant differences did exist between the restaurant types: for example, a far higher number of each of the chain types other than independents mentioned the need to keep up with the competition as a reason for remodeling. In addition, fast-feeders appear more concerned with attracting new customers than dinnerhouses. On the other hand, family restaurants/coffee shops were looking to increase seating capacity more than either fast-feeder or dinnerhouses.

What sources of information are generally used in determining whether to remodel? "Own observations" was cited by 40% of all respondents, while 23% said management or the corporate office decided. But operators apparently listen to their customers as well: 18% said customer comments or surveys led to the remodel. A drop in business was cited by 14%; the competition proved a useful source of information for another 14%; 11% used outside consultants, while 10% cited the opinions of staffers.

Again, a significantly higher level of chain concepts than independents mentioned "competition" as playing a role in the remodeling decision.

When asked to rate four selected factors that govern a decision to remodel, the "potential of attracting a broader customer base" received the most "extremely/very important rating" (77%). A facility's age rated second in importance, while the need to maintain a "new look" was also perceived by more than half of respondents as extremely or very important. Staying ahead of the competition, however, was the factor cited by the fewest number (27%) of respondents.

On a restaurant-type basis, significantly more fast-feeders (93%) and dinnerhouses (80%) than independents (50%) gave top ratings to remodeling's potential for attracting more customers.

Businessmen as they are, restaurateurs harbor some definite expectations before they commence on a remodel. "Increase volume" was the spontaneous response given most often—by six out of every 10 respondents—when asked to indicate what kind of return on investment they were looking for. At least two out of 10 also mentioned "attracting a new clientele." Others said they expected their employees to become more productive, and a few were looking to increase their facility's value.

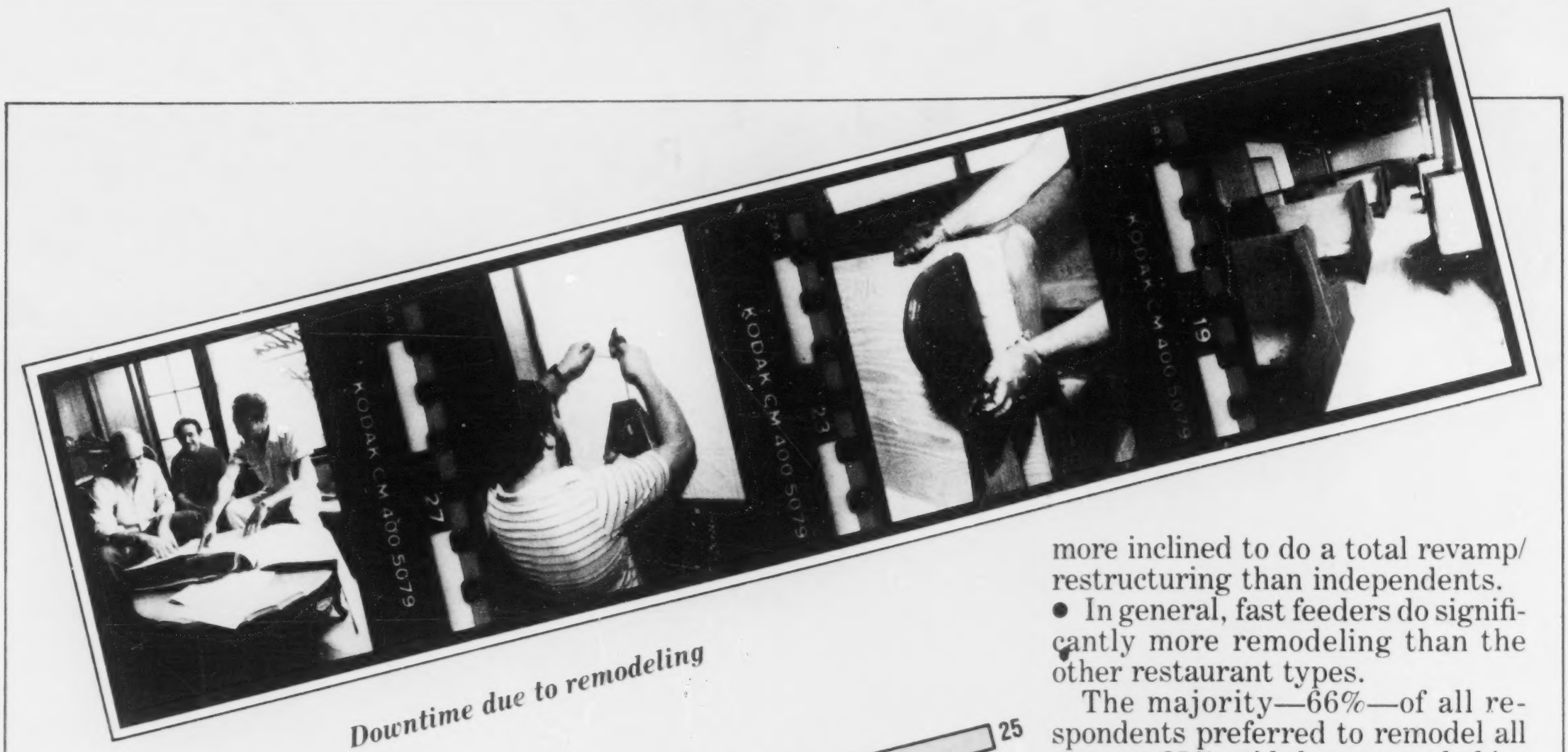
There's a significant difference in expectations among different restaurant types, however. For example, a much higher proportion of dinnerhouses (80%) than family restaurant/coffee shops anticipated increased volume. In addition, more independents and fast-food chains expected to attract new customers than did family restaurants.

Few would ever argue that interiors last forever; in fact, the average lifespan for restaurant decor was pegged at 7.3 years. More than two out of 10 believe a remodel is needed at least every four years or less, and nearly three out of 10 give interiors an average lifespan of five to six years.

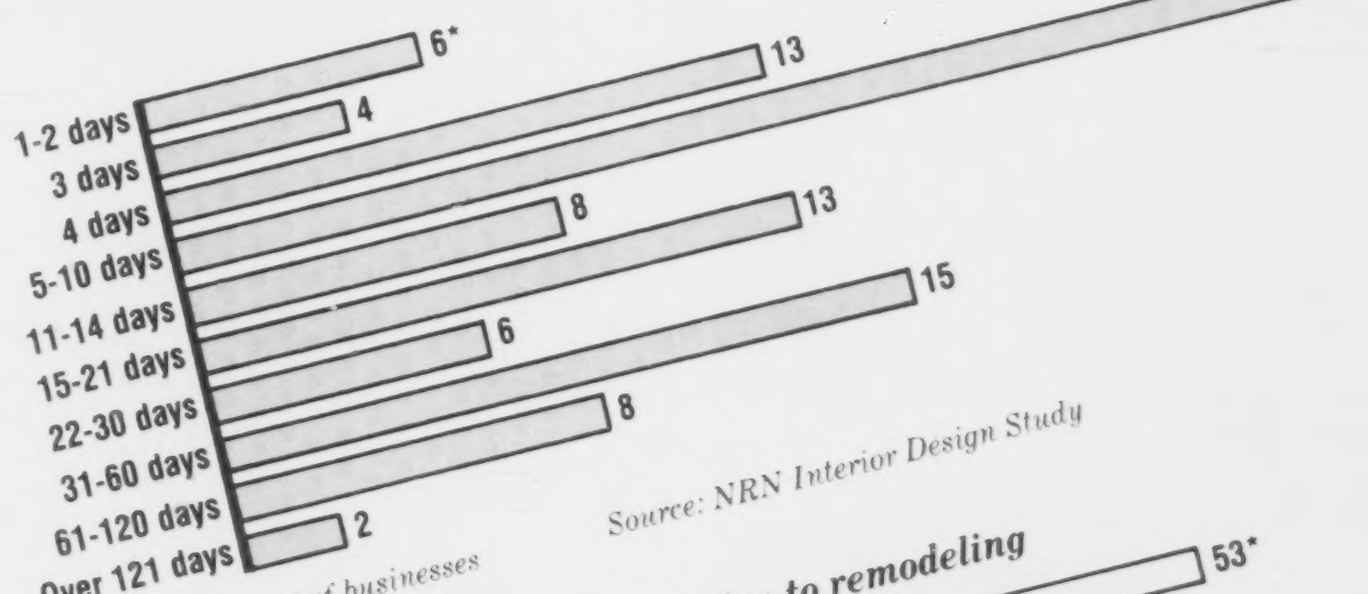
Among the different restaurant types, the range went from an average low of 6.2 years in dinnerhouses to a high of nine years in the independent establishments. The time span before remodeling or replacing decor in both family restaurant/coffee shops and fast-food chains was about every seven years.

By contrast, the need for replacing or remodeling kitchens is at longer intervals than interior decor—an average of every 10 years.

Kitchen facilities in dinnerhouses needed to be replaced a bit more often than in other restaurant types—on average about once every



Downtime due to remodeling



*Per cent of businesses

Source: NRN Interior Design Study

Incidence of downtime due to remodeling

*Per cent of businesses

Source: NRN Restaurant Interiors Study

8.5 years. Fast-food chains pegged the lifespan at an average of 11 years.

Types of remodeling. The two areas that get the most attention when it comes to remodeling are floors and walls. Whether the decision was to lay new flooring or merely cover it with a new carpet, 42% of the respondents gave their floor a new look. Wall coverings—paper, paneling or mirrors—were put up by 38%, while another 33% had their walls painted.

About three out of 10 said they totally revamped/restructured their restaurants' interiors. And two of over 10 mentioned new furnishings, new or upgraded kitchens, and new lighting systems.

Other, less frequently mentioned types of remodeling included renovation of the lounge; expansion of seating; addition of fixtures/cabinets/display cases; expansion of space/addition on building; and tiling.

Exteriors apparently receive much less emphasis than interiors, however; only 9% remodeled the outside of their restaurants.

When looking at the remodeling done by the various categories, several significant differences come to light, however:

- Dinnerhouses are more likely to remodel floors than family restaurant/coffee shops.
- Fast-food chains mention "painting" more frequently than family restaurant/coffee shops.
- All of the chain restaurants are more inclined to do a total revamp/restructuring than independents.
- In general, fast feeders do significantly more remodeling than the other restaurant types.

The majority—66%—of all respondents preferred to remodel all at once; 28% said they upgraded interiors in phases. All in all, a greater percentage of chain restaurants than independents remodeled all at once.

Among the restaurant chains in the survey, 46% used in-house design departments to get the job done, while 39% took advantage of both internal *and* outside sources. Only 16% used an "external" company exclusively.

How do chains choose their (independent) design companies? Most frequently by seeing a design they like and then contacting the designer, by referrals or by word of mouth. Cost, on the other hand, plays a much lesser role in choosing designers. How long a design company has been in business doesn't seem to matter much either.

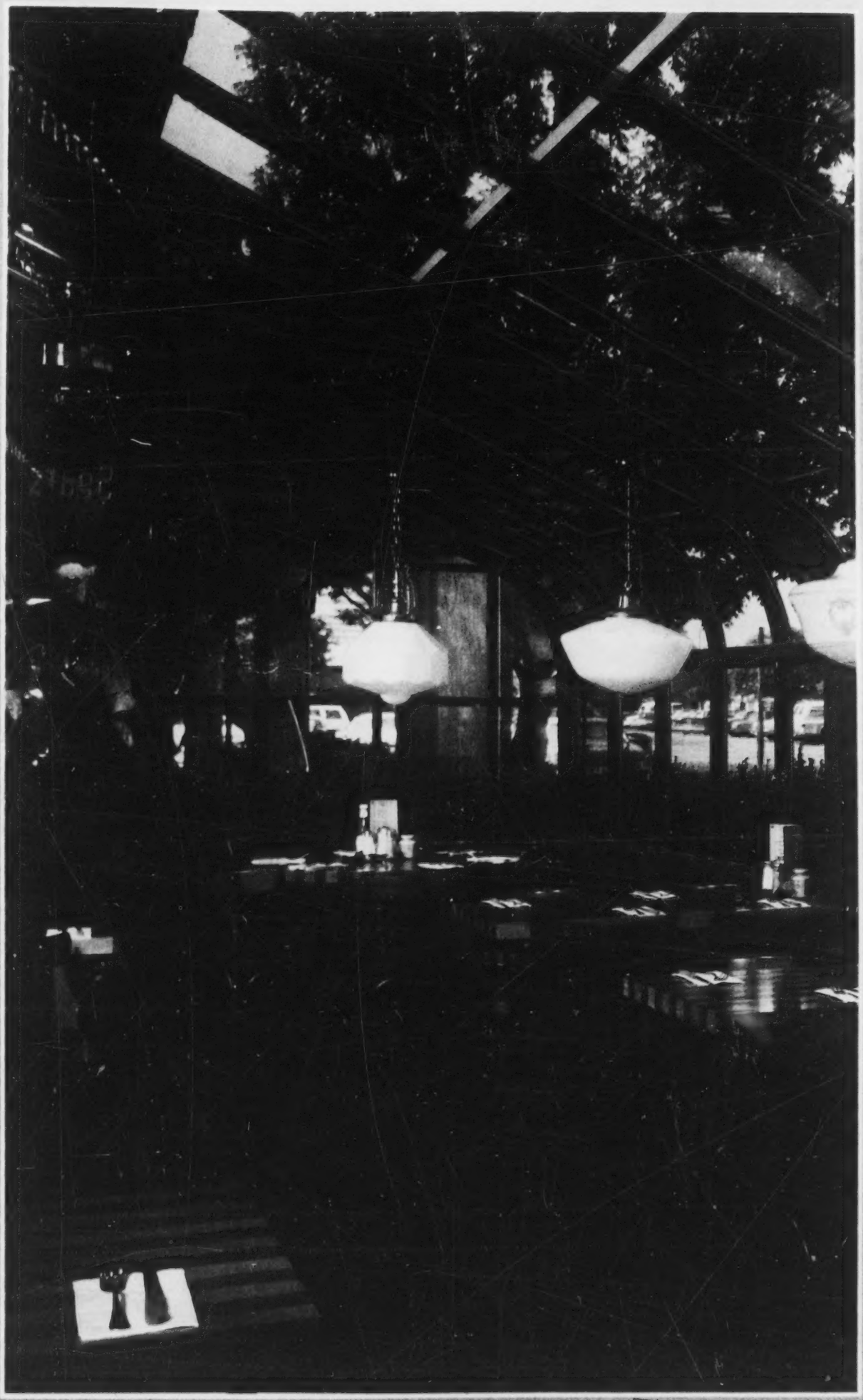
Chains that had hired independent designers were generally happy with the results: 63% said they were "extremely" or "very" satisfied; 29% were "somewhat" satisfied.

Where does the typical remodel dollar go? The survey identified four distinct expense categories: interior furnishings, general contracting, kitchen equipment and landscaping and signage.

On average, 27¢ of every remodel dollar is spent on interior furnishings, although nearly 2 of 10 respondents said they spent between 46%-60% of their total remodeling budgets on interior furnishings; 14% allocated more than 60¢ of every dollar.

General contracting received 35¢ of each dollar. But 22% of the re-

Janco design is crystal clear.



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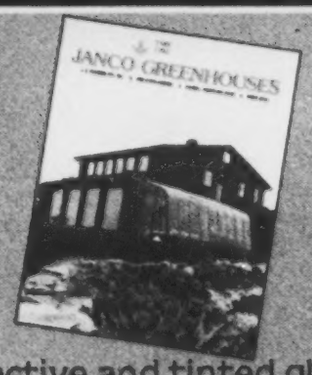

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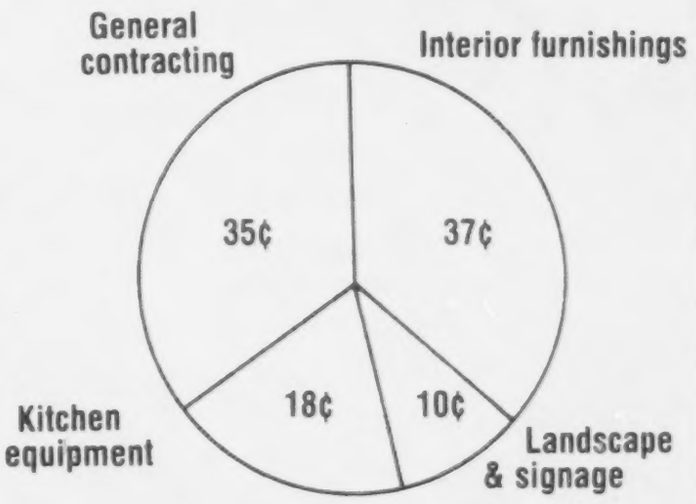
spondents spent less than 10¢ of each dollar on this area, while 18% spent between 46¢-50¢.

Kitchen equipment received less than 1% of the remodel budget from 29% of those surveyed; 21% said they spent from 2%-12%; 24% spent from 13%-20%, and only 9% spent more than 36% of their budget on the kitchen. Overall, 18¢ of the remodel dollar went for kitchen work.

Landscaping and new signage received the least amount of the remodel dollar: slightly less than 10¢ on average.

Downtime is an unfortunate, but often unavoidable, side effect of restaurant remodeling. Among the 53% of all respondents who said they closed their unit, one-quarter

The remodel dollar



Source: NRN Restaurant Interiors Study

closed from five-10 days. A mere 2% closed for more than four months, indicating substantial reconstruction. Overall, the average downtime was 24 days.

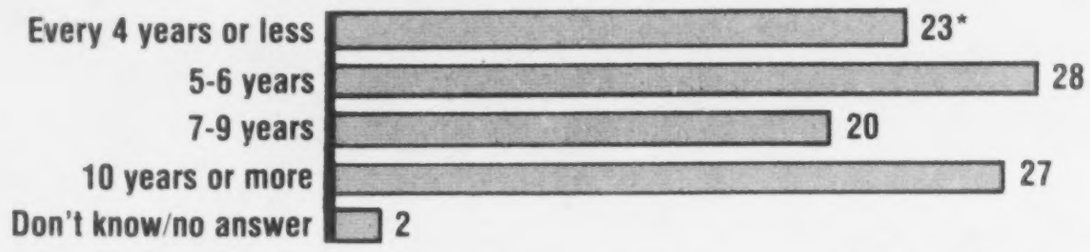
Results of remodeling. *NRN*'s study shows that remodeling can be instrumental when it comes to any restaurateur's goal: increasing business.

A whopping 81% of all respondents said they enjoyed a sales increase following a remodel; only 17% did not experience any changes.

The increase in business was particularly apparent among both fast-food (93%) and dinnerhouse (90%) chains.

Of course, the amount by which sales go up after remodeling depends on a variety of factors, including the scope of the remodel and any other operational changes made in conjunction with the remodel. For example, roughly half of those polled in the *NRN* survey said they also changed their menu, while

Frequency of remodeling



**Per cent of operators remodeling Source: NRN Restaurant Interiors Study*

more than 4 out of 10 changed their ad strategy or campaign.

Even so, those who experienced a sales increase after remodeling on the average attributed nearly 40% of the increase *directly* to remodeling. The impact on fast-food chains was the greatest—nearly 45% of their increased sales were attributed to remodeling.

And the sales hikes due to remodeling seem to last a considerable time—an average of 32 months for all types of restaurants combined.

In fact, a full 10% of all respondents said the sales hike due to remodeling was "permanent."

One interesting sidenote: Among those who changed their menu in conjunction with the remodel, more than 4 out of 10 said the "new look led to menu changes." Another reason cited by food-service executives was that the installation of new equipment allowed for new menu items.

Design trends. Clean, simple, natural—those appear to be the interior design buzzwords for the near future, judging by what restaurateurs said when asked to pinpoint design trends.

"Uncluttered . . . simple . . . toned-down colors" was the most frequent response. Other trends mentioned included "customer-oriented/pleasing/comfortable"; contemporary/modern/plastic"; "airy/sunlit/open/lighter."

In addition, at least 1 out of 10 respondents perceived a trend toward brighter color schemes, natural materials such as wood and a casual, less formal atmosphere.

In fact, 73% of all respondents agreed "strongly" or "somewhat" with the view that the trend in restaurant design is toward brighter rooms with lots of open space.

Judging by the *NRN* survey, remodeling can indeed play an important role when it comes to getting the most out of one's restaurant. The one statement that receives the highest level of agreement among operators is that "distinctive decor enhances a restaurant's image and builds traffic." By contrast, most disagree with the view that "restaurant remodeling is expensive and does not increase business appreciably."

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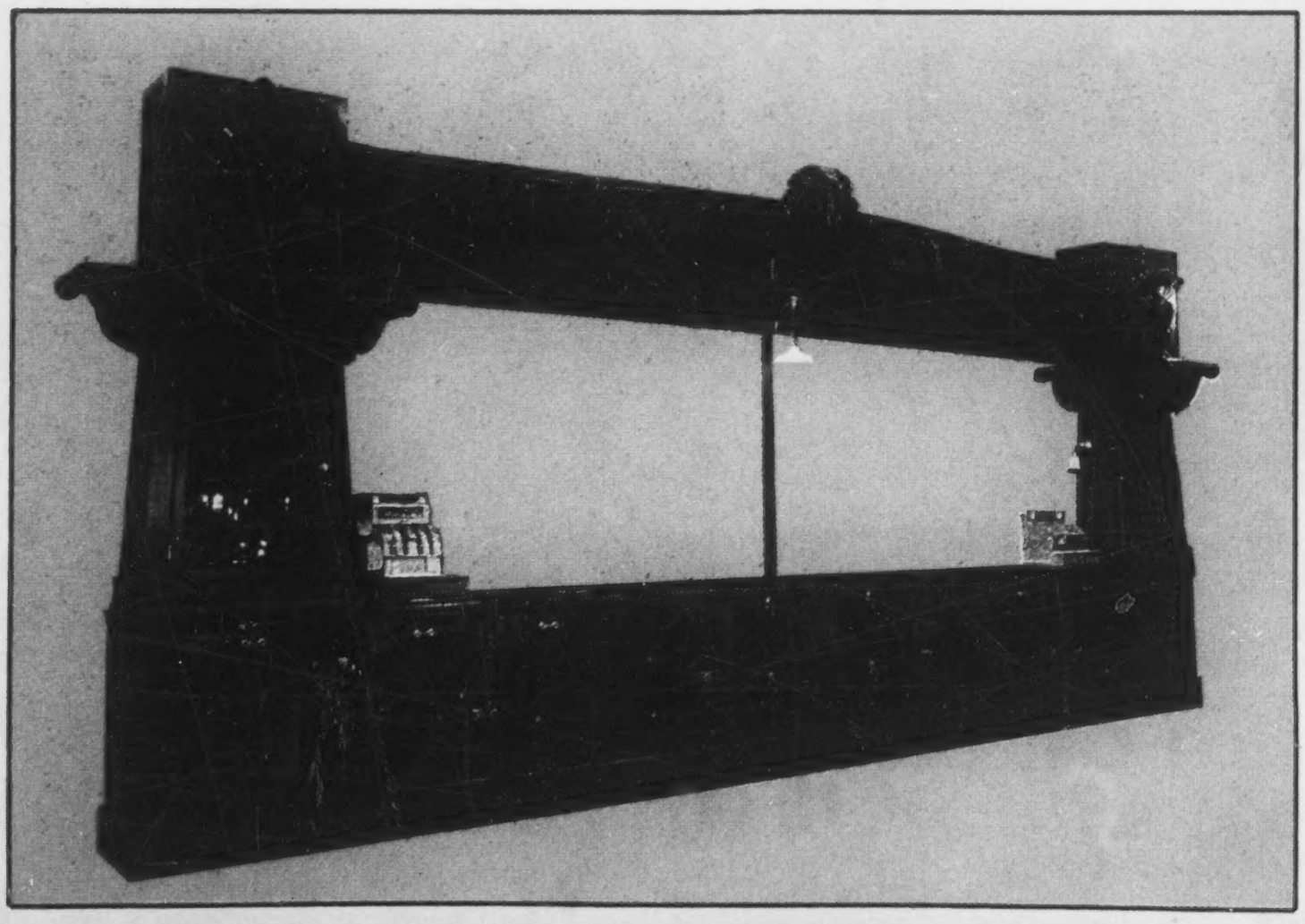

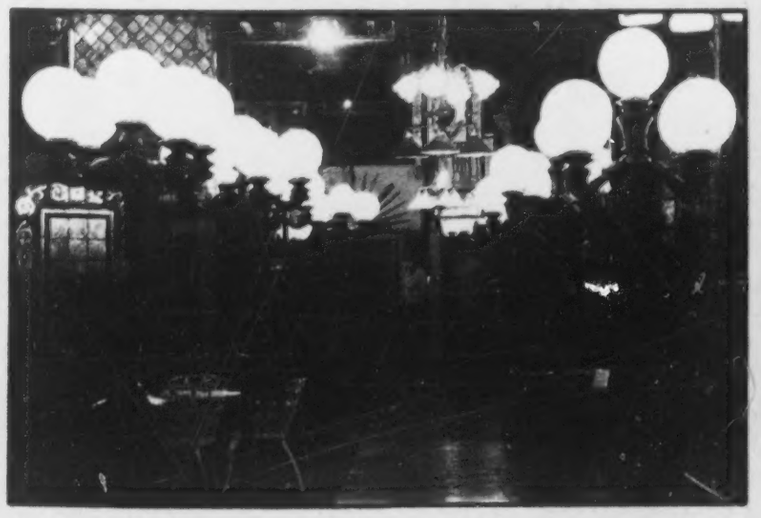

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